

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 EUR-25 IO-13 NEA-10 SPC-03 AID-20

EB-11 NSC-10 RSC-01 CIEP-02 SS-15 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 L-03 H-03 PA-03 USIA-15 PRS-01

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FM AMEMBASSY MANILA

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INFO AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

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PART V. PROCUREMENT

20. IT IS NECESSARY TO ESTABLISH ARRANGEMENTS FOR PROCUREMENT OF GOODS AND SERVICES WHICH ACHIEVE MAXIMUM ECONOMY AND EFFICIENCY AND WHICH TAKE MAXIMUM ADVANTAGE OF FUNDS AVAILABLE. FOR THE MOST ECONOMICAL AND EFFICIENT PROCUREMENT IT IS DESIRABLE THAT THERE BE INTERNATIONAL COMPETITIVE BIDDING FROM SUPPLIERS AND CONTRACTORS IN ALL CONTRIBUTOR COUNTRIES, LAOS AND THAILAND. SINCE SUCH AN ARRANGEMENT WOULD NOT BE POSSIBLE IF CONTRIBUTOR GOVERNMENTS RESTRICT USE OF THEIR RESPECTIVE CONTRIBUTIONS TO PROCUREMENT FOR PARTICULAR PARTS OF THE PROJECT OR IN PARTICULAR COUNTRIES, THE BANK REQUESTS ALL PROSPECTIVE CONTRIBUTOR GOVERNMENTS TO CONSIDER MAKING CONTRIBUTIONS ON THE BASIS ALL CONTRIBUTIONS WOULD BE AVAILABLE TO MEET ANY EXPENDITURES ON THE PROJECT IN ANY CONTRIBUTOR COUNTRY, LAOS OR THAILAND.

21. IT IS WELL KNOWN THAT THE TYING OF AID FUNDS TO PROCUREMENT IN THE DONOR COUNTRY USUALLY RESULTS IN SUBSTANTIAL INCREASES IN PROJECT COST. IN THE CONTEXT OF A MULTILATERAL PROJECT, SUCH AS THE SECOND PHASE OF CONSTRUCTION OF THE
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NAM NGUM HYDROPOWER FACILITIES, THERE ARE ADDITIONAL ASPECTS TO BE CONSIDERED. THE TYING OF ITS CONTRIBUTION BY ONE CONTRIBUTOR CAN ENCOURAGE OTHER CONTRIBUTORS TO DO THE SAME, THEREBY MULTIPLYING THE COMPLICATIONS OF IMPLEMENTATION AND

LEADS TO POTENTIAL INCREASES IN PROJECT COSTS. THOSE CONTRIBUTORS WHICH OFFER UNTIED FUNDS COULD QUITE REASONABLY WISH TO RESTRICT PROCUREMENT FROM UNTIED FUNDS TO CONTRIBUTORS MAKING UNTIED CONTRIBUTIONS. THE CONSEQUENCE OF APPLYING THIS PRINCIPLE OF RECIPROCITY TO THE NAM NGUM SECOND PHASE COULD BE THAT THERE WOULD BE FEW ELIGIBLE SUPPLIERS COMPETING EVEN FOR PROCUREMENT OUT OF UNTIED FUNDS.

22. DIFFICULTIES ALSO ARISE IN RELATION TO ANY CONTRIBUTION TIED TO A PARTICULAR PART OF THE PROJECT. APART FROM COMPLICTIONS IN PROJECT IMPLEMENTATION IT IS NOT PRACTICABLE TO ASSUME THAT THE PRICES FOR WHICH CONTRACTS WILL BE AWARDED WILL EXACTLY REFLECT COST ESTIMATES. IF THE AMOUNT PAYABLE UNDER CONTRACTS AWARDED FOR A PARTICULAR PART OF THE PROJECT EXCEEDS THE RELEVANT CONTRIBUTION, THE DISCREPANCY WOULD NEED TO BE MADE UP FROM OTHER CONTRIBUTIONS. IF THE AMOUNT OF A CONTRIBUTION TIED TO A PARTICULAR PART OF THE PROJECT EXCEEDS THE COST OF THE RELEVANT CONTRACTS, A SHORTFALL IN AGGREGATE FUNDS FOR THE PROJECT COULD RESULT.

23. IF THE BANK'S PROPOSAL IN PRINCIPLE FOR INTERNATIONAL COMPETITIVE BIDDING FOR ALL PARTS OF THE PROJECT IS NOT ACCEPTED, QUITE COMPLEX SPECIAL ARRANGEMENTS SHOULD NEED TO BE MADE. IT WOULD THEN BE ESSENTIAL THAT BIDDING FOR ALL CONTRACTS BE COMPLETED AT THE SAME TIME AND THAT FROM BIDS SUBMITTED, THOSE BIDS BE CHOSEN WHICH WOULD ACHIEVE THE MOST ECONOMICAL ARRANGEMENT UTILIZING AT THE SAME TIME ALL FUNDS AVAILABLE FOR THE PROJECT. IT WILL BE APPROPRIATE THAT ANY SUCH ARRANGEMENTS WOULD BE OPEN TO ALL THE OBJECTIONS DESCRIBED IN PARAGRAPHS 21 AND 22. A SUBSTANTIAL INCREASE IN THE COST OF THE PROJECT MAY RESULT AND IN ANY EVENT THE WORK FOR THE BANK IN SUPERVISING PROJECT IMPLEMENTATION WOULD BE CONSIDERABLY INCREASED. UNDER SUCH ARRANGEMENTS IT WOULD ALSO BE ESSENTIAL THAT THERE BE FLEXIBILITY IN THE AMOUNTS OF CONTRIBUTIONS. FOR THE BANK, AS A MULTILATERAL INSTITUTION, IT WOULD NOT BE APPROPRIATE FOR IT TO BE ADMINISTERING WHAT WOULD IN EFFECT BE A NUMBER OF SEPARATE BILATERAL PROGRAMS.

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PART VI. LOCAL CURRENCY EXPENDITURES

24. THE COST ESTIMATES SET OUT IN PART II IN THIS PAPER INCLUDE LOCAL CURRENCY EXPENDITURES. THE BANK ASSUMES, AND URGES, THAT CONTRIBUTIONS WILL BE AVAILABLE TO COVER ALL LOCAL CURRENCY EXPENDITURES. IF THE ARRANGEMENTS PROPOSED IN PARAGRAPH 20 REGARDING PROCUREMENT ARE ACCEPTABLE, LOCAL CURRENCY COSTS WOULD BE FINANCED OUT OF ALL CONTRIBUTIONS IN THE PROPORTIONS OF THOSE CONTRIBUTIONS TO THE AGGREGATE FUND. IF, HOWEVER, SPECIAL ARRANGEMENTS ARE NECESSARY TO TAKE ACCOUNT OF RESTRICTIONS ON THE USE OF CONTRIBUTIONS TO PARTICULAR PARTS OF THE PROJECT OR AS TO PROCUREMENT SOURCES, IT WOULD BE NECESSARY THAT THE RESPECTIVE CONTRIBUTORS AGREE

THAT ALL LOCAL COSTS ASSOCIATED WITH THE RELEVANT PART OF THE PROJECT FOR WHICH PROCUREMENT IS BEING DONE BE BORNE OUT OF THE CONTRIBUTION FROM WHICH THE FOREIGN CURRENCY EXPENDITURES ARE FINANCED.

PART VII. DRAWDOWN AND DISBURSEMENT OF CONTRIBUTIONS

25. IT IS PROPOSED THAT ARRANGEMENTS FOR DRAWDOWN OF CONTRIBUTIONS AND DISBURSEMENTS FROM THE FUND BE ON BASES SIMILAR TO THOSE USED FOR THE FIRST PHASE. THE BANK, AS ADMINISTRATOR OF THE SECOND NAM NGUM DEVELOPMENT FUND, WOULD NOTIFY CONTRIBUTORS OF THE AMOUNTS REQUIRED TO MEET ESTIMATED DISBURSEMENTS FOR EACH SIX-MONTHLY PERIOD, MAINTAINING A REASONABLE RESERVE AT ALL TIMES. TO THE EXTENT PRACTICABLE, DRAWDOWN WOULD BE IN THE PROPORTIONS OF CONTRIBUTIONS TO THE FUND. IT IS PROPOSED THAT CONTRIBUTORS WOULD MAKE PAYMENTS IN THEIR RESPECTIVE CURRENCIES AND CONTRIBUTIONS SHOULD BE FREELY USABLE OR CONVERTIBLE. THE BANK WOULD VALUE ONE CURRENCY IN TERMS OF ANOTHER IN ACCORDANCE WITH ITS ESTABLISHED PRACTICES.

26. INCOME, IF ANY, ACCRUING FROM INVESTMENTS ON CONTRIBUTIONS DRAWN DOWN, PENDING DISBURSEMENT, WOULD BECOME PART OF THE FUND. DISBURSEMENT WOULD BE IN CURRENCIES SELECTED BY THE BANK. IT IS ANTICIPATED THAT ALL DISBURSEMENTS BY THE BANK WOULD BE MADE DIRECTLY TO THE CONTRACTORS AND SUPPLIERS.

PART VIII. LEGAL DOCUMENTATION

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27. IT IS PROPOSED THAT AGREEMENT ON CONTRIBUTIONS WOULD BE INCORPORATED IN A MULTILATERAL FUND AGREEMENT BETWEEN THE GOVERNMENTS OF CONTRIBUTORS, LAOS AND THAILAND AND THE BANK. THE FUND AGREEMENT WOULD ALSO CONTAIN SIMILAR PROVISIONS DEALING WITH THE PROJECT AND THE IMPLEMENTATION OF IT AS WERE SET FORTH IN THE NAM NGUM DEVELOPMENT FUND AGREEMENT, 1966, FOR THE FIRST PHASE. IN THE CASES OF CONTRIBUTIONS BY WAY OF LOAN, CONTRIBUTOR GOVERNMENTS WOULD BE FREE TO ENTER INTO SEPARATE ARRANGEMENTS WITH THE GOVERNMENT OF LAOS, NOT INCONSISTENT WITH THE FUND AGREEMENT, CONCERNING REPAYMENT OF THE CONTRIBUTION AND CONCERNING THE OBLIGATIONS OF LAOS ON TERMINATION OF THE FUNCTIONS OF THE BANK (ON THE COMPLETION OF THE FIRST YEAR'S OPERATION OF THE PROJECT FACILITIES OR FINALIZATION OF DISBURSEMENTS, WHICHEVER IS THE EARLIER). LAOS WOULD MAKE THE BENEFIT OF THE PROCEEDS OF CONTRIBUTIONS AVAILABLE TO EDL UNDER A FINANCING AGREEMENT TO BE APPROVED BY THE BANK. THE BANK AND EDL WOULD ENTER INTO A PROJECT AGREEMENT SETTING OUT DETAILED PROCEDURES FOR EXECUTION OF THE PROJECT, INCLUDING PROCEDURES FOR SELECTION AND EMPLOYMENT OF CONSULTANTS AND FOR PROCUREMENT OF GOODS AND SERVICES.

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